MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2019/2020

DMG5034 – MANAGEMENT ACCOUNTING

(All sections / Groups)

15 OCTOBER 2019
9:00 AM – 11:00 AM
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **6** pages with **5** questions only.

2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.

3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

Azion Manufacturing is a company that produces two types of cleaning detergents, Sunny Clear and Rosy Nice. Previously, Azion Manufacturing used single rate/ traditional costing system in computing its product overhead costs. Mr. Yeong, the newly appointed Chief Finance Manager decides to implement the Activity- Based Costing (ABC) system starting this year in computing the product costs. Below is the information gathered relates to the cost production of 40,000 units of Sunny Clear Detergent and 50,000 units of Rosy Nice Detergent:

	Sunny Clear	**Rosy Nice**
Direct material cost	RM15 per unit	RM10 per unit
Direct labour hour	1 hour per unit	1 hour per unit
Wages rate	RM10 per hour	RM10 per hour

Mr. Yeong suggests the following cost pools to compute the overhead costs using the Activity-Based Costing (ABC) system as stated below:

Activity Cost Pools	**Cost Drivers**	**Estimated Overhead (RM)**	**Expected Usage**	
			Sunny Clear	**Rosy Nice**
Machine setups	No. of setups	300,000	1,000	2,000
Mixtures	No. of mixtures	180,000	600	900
Inspections	No. of inspections	240,000	10,000	15,000

Required

(a) If the estimated total overhead costs are computed based on total direct labour hours, compute the overhead costs for both products using the single rate / traditional costing system. (4 marks)

(b) Based on answers in (a), compute the unit cost for each product using the single rate / traditional costing system. (2 marks)

(c) Compute the activity rate for each activity cost pool. (4.5 marks)

(d) Determine the unit cost for each product according to the ABC system. (8 marks)

(e) Comparing the answers in (b) and (d), which system is more appropriate to determine the overhead cost for both products. Explain. (1.5 marks)

(Total: 20 marks)

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QUESTION 2

Part A

Daniel Office Supplies shows the following data related to shipping costs for the first six months of the year:

Month	Numbers of Packages Shipped	Shipping Cost (RM)
January	100	1,200
February	120	1,300
March	125	1,350
April	130	1,500
May	110	1,400
June	90	1,100

Required

Compute the fixed and variable cost elements using the high-low method. (10 marks)

Part B

Essential Gear Company manufactures and sells high-quality gear for adventure motorcycle. Operating at capacity, the company can produce and sell up to 10,000 gears per year. Costs associated with this level of production and sales are as follows:

Type of Costs	Per unit (RM)	At capacity (10,000 units) (RM)
Direct material	800	8,000,000
Direct labour	500	5,000,000
Variable manufacturing overhead	700	7,000,000
Fixed manufacturing overhead	1,000	10,000,000
Total costs	3,000	30,000,000

The adventure motorcycle gear normally sells for RM5,500 per unit. Despite this high price, the company regularly expects to sell 8,000 units in the upcoming year. Fixed overhead is constant at RM10,000,000 between 6,000 units and 10,000 units. Great Outdoor Incorporation wishes to purchase 300 authentic adventure motorcycle gears from the company.

The company's regular price is RM5,500, but the Great Outdoor Incorporation would like volume discount and asks the company to reduce its price to RM3,500 for this large purchase. Accepting this deal would not affect the company's normal business.

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To fill the order, the company would have to purchase a machine to provide a special rubber coating each unit of adventure motorcycle gear. The machine would cost RM150,000 and would have no use outside of the order. The additional rubber coating would add a cost of RM60 per unit.

Required

(a) Prepare an incremental analysis for the special order decision. (7 marks)

(b) Should the Essential Gear Company accept or reject the special order? Explain. (3 marks)

(Total: 20 marks)

QUESTION 3

Part A

Michael operates a resort business near Port Klang area. Below are information regarding the resort.

- Depreciation on the resort is RM90,000 per year.
- Real estate taxes are RM15,000 per year.
- Michael employs maintenance staff at an annual salary of RM61,500 and cleaning staff at an annual salary of RM36,000.
- The resort's rooms rent at an average price of RM90 per person per night including breakfast.
- Other costs are laundry and cleaning service at a cost of RM15 per person per night and the cost of food which is RM7.50 per person per night.

Required

(a) Compute the number of rentals Michael needs to break even by using the contribution margin technique. (7 marks)

(b) Compute the sales revenue in Ringgit Malaysia (RM) Michael needs to break even by using the contribution margin technique. (3 marks)

(c) Assuming the current level of rentals is 5,000, by what percentage can rentals decrease before Michael has to worry about having a net loss? (2 marks)

(d) Michael is considering upgrading the breakfast service to attract more business and increase prices. This will cost an additional RM7.50 for food costs per person per night. Michael feels he can increase the room rate to RM130 per person per night.

Compute the number of rentals Michael needs to break even if the changes are made by using contribution margin technique. (7 marks)

(e) Define variable and fixed costs. (1 mark)

(Total: 20 marks)

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QUESTION 4

Part A

Bright Home Furniture is a well-known wooden display cabinet's manufacturer in Seremban. Given below are the budgeted sales for the first four months of the year 2020:

Month	Unit to be produced
January	168
February	198
March	185
April	226

It requires 20 meters of wood to produce one unit of wooden display cabinet, at a cost of RM25 per meter. Assume that the company maintains an inventory of wood equal to 15 percent of the next month's needs. At the beginning of the year, 980 meters of wood are on hand.

Required

(a) Prepare a Direct Materials Budget, in Ringgit Malaysia (RM), for the first quarter in year 2020. (Show all workings). (14 marks)

(b) Identify the **SIX (6)** benefits of budgeting. (6 marks)

(Total: 20 marks)

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QUESTION 5

Part A

The financial controller of Alla Hye Company asked the accounting clerk to prepare the variance report for its purchasing department. However, some information is missing from the report and the accounting clerk are rather unsure on the figure.

Alla Hye Company Variance Report - Purchasing Department for the Week ended 31 August 2019					
Types of materials	**Quantity Purchased**	**Actual Price**	**Standard Price**	**Price Variance**	**Explanation**
AA	?	RM5.70	RM5.20	RM6,800	Price Increase
BB	8,500 kg	?	RM3.50	RM1,445	Rush Order
CC	20,000 units	RM0.50	?	RM600	Bought larger quantity

As a management accountant of the company, you are required to complete the variance report.

Required

(a) Compute the following missing information:

(i) Quantity purchased (2.5 marks)

(ii) Actual price (2 marks)

(iii) Standard price (2.5 marks)

(b) Compute the material price variances and determine whether favourable or unfavourable.

(i) AA (2 marks)

(ii) BB (2 marks)

(iii) CC (2 marks)

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Part B

Caring Company planned to produce 25,000 units of product and work 125,000 direct labour hours in 2018. Manufacturing overhead at the 80,000 direct labour hours level of activity was estimated to be:

	RM
Variable manufacturing overhead	650,000
Fixed manufacturing overhead	550,000
Total manufacturing overhead	1,200,000

At the end of 2018, 22,000 units of products were produced and 95,000 actual direct labour hours were worked. Total actual overhead costs for 2018 were RM1,780,000.

Required

Compute the total overhead variance. (7 marks)

(Total: 20 marks)

End of Paper